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## NORTHEAST CHINA DEPARTMENT OF INDUSTRY DRAWS UP 1951 PRODUCTION PLANS

(Reprinted from Mukden Tung-pei Jih-pao, 31 August 1950)

At the end of July, the Department of Industry of the Northeast Reople's government met to plan the 1951 production. The meeting was attended by more than 300 technical experts and cadres from various corporations and bureaus.

Wang Ho-san, Chief of the Department, submitted a report on the policies and requirements of such planning, as follows:

For the first half of 1950, the volume of production was 5.7 percent over the mark but judging from the actual performance, many problems still exist in connection with the planning itself. To begin with, the planning did not take into account actual needs in certain manufacturing and mining concerns. Some firms were either too eager to produce more goods or were thinking only of their own production capacity without analyzing the actual needs of the government and the market. Consequently, inventories piled up and turnover was very slow.

For example, there are surpluses in such products as lathes, planers, digging machinery, water pumps, and ball bearings, all produced by the Bureau of Machinery; firebrick from the Ch'ang-ch'un Firebrick Plant, Pen-ch'i clay, and limestone, produced by the Bureau of Construction; rubber products produced by the Bureau of Light Industry; and electric light bulbs and coal, produced by the Bureau of Electric Appliances. These surpluses resulted from insufficient varieties and sizes of products or from lack of market demand. Due to the surplus problem, manufacturers were compelled to alter plans for nine products in the first half of 1950 alone.

Some plans failed because estimates of existing facilities and techniques were inaccurate. Instances of such failure included the No 1 Machine Plant's gear bed /sic/ plan for the first quarter of 1950, and the No 6 Electric Appliance Plant's plan for a new type of motor.

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There is also a tendency to be too conservative in our planning. Costs are often overestimated, i.e., real costs fall below the estimated. For instance, actual costs are 59.76 percent less than the estimated costs for Fushan pipe steel, 39.1 percent for carbon steel, 39.22 percent for No 5 Machine Plant spiral castings, and about 30 percent less for many other products. The same is true in the estimate of the composite cost items. The real costs are 97.66 percent overestimated for supplementary materials, 400 percent for labor costs, 97 percent for repairs, and 99.9 percent for research expenses. Since the cost estimates are not accurate and the market study is inadequate, products prices are too high.

Production quotas are also being fixed too low compared with actual accomplishment. This may be seen by the fact that 12 out of 34 major products have exceeded uneir original production plans by 20 percent in the first half of 1950. Some manufacturing and min ig plants generally have exceeded the state-approved plans by 20 percent. On the one hand, these figures may demonstrate our achievement; on the other hand, they probably indicate excessive conservatism in our planning. Except for special reasons, a 20-percent increase over the original plan is, in general, impossible.

Quality is sometimes sacrificed by undue emphasis on quantity. For instance, such items as rubber products of the Light Industry Control Bureau; machine tools and bicycles of the Bureau of Machinery; and light bulbs of the Eureau of Electric Appliance have been piling up because of low quality.

A dangerous tendency in the basic planning is to overemphasize more and larger construction and investment at greater speed without considering planning ability, technical requirements, workers' reaction, experience in organization, and supply of materials. The result is poor quality and extravagance. Some projects were handicapped by planning errors at the very beginning, while others started without any plan at all.

The guiding principles for 1951 planning are as follows:

Production: Lower costs but better quality. A thorough understanding of the needs of the people to bring products closer to the market. Opposing the idea of a simple return to normal conditions. No more conservatism in planning.

Basic reconstruction: Steady advance according to definite plan. Opposing fantastic ventures.

The greatest emphasis must be placed on lower costs, better quality, and steady but sure progress according to definite plans. The 1951 production quotas for major products should be carefully estimated and quality standards should be strictly established. The supply of materials should be accurately estimated in terms of product units instead of by guess. Provision should be made for the use of substitutes to avoid any delay which might result from unavailability of certain materials. Thus, the scope of product substitution should be expanded.

In cost accounting, emphasis must be put on a percentage comparison of the various cost items in the different production departments. Reasons were given for the increase in the rate of depreciation for 1951. In drawing up a financial plan, capital turnover should be carefully estimated by taking seasonal influences into consideration. In making factory rules, it is necessary to insist on careful attendance checks and to oppose the hiring of unqualified employees, since such tactics will naturally lower the ratio of skilled workers and, thus, the quality of the product. To maintain the level of skill, certain ratios should be worked out between the number of skilled and unskilled workers. Plans should also be devised for the future training of skilled workers. In organization and leadership, the head of the bureau or company must participate directly in the management.

- 2 -

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Yuan Po-hua, Deputy Chief, Industrial Planning Section, Department of Industry, then took the floor and gave his account of planning procedure. He pointed out that, as the preparations are almost complete, formal plans will be issued in August.

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- 3 -

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